



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 5, 2011

TO: Mitchell H. Katz, M.D., Director
Department of Health Services

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **LAC+USC MEDICAL CENTER AFFILIATION AGREEMENT WITH THE
UNIVERSITY OF SOUTHERN CALIFORNIA**

At your request, we audited the Affiliation Agreement (Agreement) with the University of Southern California (USC or University) for contract years (CY) 2006-07 and 2007-08. The Department of Health Services (DHS) is required to perform an audit of the Agreement and have the audit validated by the Auditor-Controller. We completed this audit on DHS' behalf. The purpose of our audit was to review USC's compliance with the Agreement, and to determine whether LAC+USC Medical Center (LAC+USC or Hospital) received all services and staffing purchased by the County.

The issuance of our report was delayed in part due to time spent working with DHS Administration, LAC+USC, USC and County Counsel to clarify various requirements of the Agreement. To allow LAC+USC and USC to begin taking corrective action immediately, and to allow DHS to begin addressing the issues in the latest amendment to the Agreement, we discussed the findings and recommendations from our review with DHS in September 2008.

In August 2006, the Board of Supervisors renewed DHS' Agreement with USC. Under the Agreement, USC provides licensed physicians to train and supervise County medical residents and provide direct patient care at LAC+USC. USC also provides some non-physician support staff (i.e., pharmacists, lab and clerical staff, etc.) at LAC+USC. In 2006 and 2007, the County paid USC approximately \$81 million a year for services under the Agreement. In November 2008, the Board approved an amendment to the Agreement for additional services, which increased the cost to \$112 million a year.

Summary of Findings

Our review indicates that that LAC+USC and USC generally comply with the Agreement. The Hospital and University have also implemented programs to monitor and improve the quality of services provided under the Agreement.

The Agreement states that, until alternative performance measures are developed, the volume of purchased services provided by USC will be measured based on the number of physician and non-physician full-time equivalent (FTE) staff provided by USC. However, we noted that the Agreement needs to be more specific regarding the FTEs USC is supposed to provide. Future agreements should explicitly indicate the number of FTEs USC is expected to provide in each medical department, and the method of monitoring that will be used to ensure that required staffing is provided.

In addition, LAC+USC should continue to work with USC to develop monthly staffing schedules with adequate detail to allow LAC+USC to monitor staff hours and attendance, update the schedules timely to reflect changes in staffing, and develop monitoring procedures to verify that the schedules are accurate. Future agreements should also include a consistent method of calculating FTEs and LAC+USC should ensure that USC only includes appropriate staff in the FTE calculations.

LAC+USC management indicated that, after our review was completed, they worked with USC to develop staff schedules and post them online using the AmIOn scheduling system. LAC+USC indicated that they also worked with USC to monitor and update schedules timely to reflect staffing changes, and randomly audit compliance with the schedules throughout the year.

The following are the major issues noted in our review and our recommendations for corrective action:

- **Required FTEs for each medical department were not documented** – Based on our interpretation of the Agreement, USC must identify the number of FTEs they will provide in each medical department, and obtain approval before changing the number of FTEs among medical departments. However, the University does not give this information to LAC+USC because it is not specifically required by the Agreement.

To improve monitoring of the number of staff provided by USC, future agreements should explicitly indicate the number of FTEs USC is expected to provide in each medical department. Hospital management should then compare the planned FTE staffing in each department to the monthly staffing schedules and Physician Time Study (PTS) reports (discussed later in this report) to ensure USC provides the agreed upon staffing.

- **Staff schedules were not accurate or useful for monitoring staff** – USC gives LAC+USC monthly schedules showing staff who will be assigned to each medical department. At the time of our review, the schedules were not always accurate, or did not include adequate detail to determine if the staff were present when assigned. Our review also disclosed that some staff were not at the Hospital when they were scheduled due to medical or family leave, conferences/meetings, vacations or resignations.

In addition, we noted that some schedules did not include daily staff assignments, work locations, or arrival and departure times (e.g., some schedules indicated the total hours staff were scheduled to work for the week, but did not include specific dates and times). Finally, we noted that some of the schedules did not identify specific individuals who would be assigned, but only indicated that any one unnamed person from a group of staff were scheduled to work.

LAC+USC should work with USC to develop monthly staff schedules that include adequate detail to monitor staff and identify FTEs. USC should also update the schedules timely to reflect changes in staffing. In addition, LAC+USC should implement monitoring procedures (e.g., paging audits, etc.) to verify that schedules are accurate, and that staff comply with schedules.

As noted above and in DHS' attached response, after our review was completed, LAC+USC management worked with USC to develop staff schedules and post them online using the AmIOn scheduling system. LAC+USC also worked with USC to monitor and update schedules timely to reflect staffing changes, and to randomly audit schedules throughout the year.

- **FTEs were not calculated consistently and were overstated** – USC completes a Physician Time Study (PTS) twice a year (Spring and Fall) for Medicare cost reporting purposes. USC also uses the PTS to document whether they have provided the required number of FTEs. The Agreement required USC to provide approximately 465 FTE physicians for CY 2006-07.

USC reported approximately 545 FTEs for Fall 2006 and 464 FTEs for Spring 2007. However, USC used two different methods to calculate the FTEs. USC identified the total hours staff worked (including compensated time off) during each study, and calculated one FTE for every 34 hours worked a week in Fall 2006. In Spring 2007, USC calculated one FTE for every 40 hours worked a week. USC indicated that 34 hours is the average number of hours a full-time employee actually works a week if compensated time off hours are subtracted. While the Agreement does not specify how FTEs should be calculated, using the 34-hour week overstated the Fall 2006 FTEs because compensated time off hours were included in the total hours staff worked.

We also noted that USC included some inappropriate staff (e.g., County-employed physicians who are not paid by the University, non-physician Ph.D. staff, etc.) in their reported physician FTEs. Future agreements should include a consistent method of calculating FTEs and LAC+USC should ensure that USC only includes appropriate staff in FTE totals.

The Agreement also indicates that USC could include 67 County physicians who received University stipends in physician FTE totals. However, we noted that USC sometimes included more than 67 of these County physicians in their FTE totals. USC should not have included these additional physicians in their FTE calculation based on our interpretation of the Agreement.

- **No formal method for monitoring non-physician staff** – The Agreement does not include a formal method for monitoring non-physician staff, and USC does not report the actual number of non-physician FTEs they provide to the Hospital. Future agreements should include a method for monitoring the number of non-physician FTEs provided by USC.

Review of Report

We discussed the results of our review with LAC+USC and USC management. DHS should address these issues to improve monitoring of the Agreement to ensure that the County receives all appropriate staff and services.

We thank LAC+USC and USC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Mike McWatters at (213) 253-0104.

WLW:JLS:RGC:mwm

Attachment

c: William T Fujioka, Chief Executive Officer
John F. Schunhoff, Ph.D., Chief Deputy Director, DHS
Pete Delgado, Chief Executive Officer, LAC+USC
Stephanie Hall, M.D., Chief Medical Officer, LAC+USC
Gregory Polk, Administrative Deputy, DHS
Lorayne Lingat, Audit and Compliance Division, DHS
Audit Committee



February 11, 2011

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TO: Wendy L. Watanabe
Auditor-Controller

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **LAC+USC MEDICAL CENTER AFFILIATION
AGREEMENT WITH THE UNIVERSITY OF
SOUTHERNCALIFORNIA**

Mitchell H. Katz, M.D.
Director

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*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
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at DHS facilities and through
collaboration with community and
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The Department of Health Services generally agrees with the Auditor-Controller's findings and recommendations made in the report of its review of the Affiliation Agreement for Fiscal Years 2006-07 and 2007-08.

The November 2008 Affiliation Agreement Amendment required LAC+USC to work with USC to establish a process for monitoring compliance with established performance goals that serve as an alternative method to FTE allocations to measure the services provided under the Agreement. Subsequent to the period reviewed, the LAC+USC Medical Center implemented a real-time faculty scheduling system (AmION), which enables all clinical departments to review and update faculty schedules and daily work assignments in a live database. Further, the Amendment requires USC to operate AmION and ensure accuracy by updating physician schedules with actual physicians and hours worked. Clinical Administration monitors physicians' compliance with the indicated schedules by performing quarterly audits of the physicians for each department or division, in which scheduled physicians are randomly selected and called to verify their presence.

If you have any questions or require additional information, please let me know or you may contact Sharon Ryzak at (213) 240-7901.

MHK:sr

Attachment

c: John F. Schunhoff, Ph.D.
Pete Delgado
Stephanie Hall, M.D.
Gregory Polk
Sharon Ryzak



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